Administrative Services Only (ASO)

"This term is used to mean a group health self-insurance program for large employers wherein the employer assumes responsibility for all the risk, purchasing only administrative services from the insurer. Such administrative services include such activities as the preparation of an administration manual, communication with employees, determination and payment of benefits, preparation of government reports, preparation of summary plan descriptions, and accounting. Most employers would also purchase stop-loss insurance to protect against catastrophic losses. "International Risk Management Institute Glossary of terms

If we substitute Colorado Medicaid for Employer and Medicaid eligible for employee, this definition applies to Medicaid as follows

This term is used to mean a state Medicaid self-insurance program for Medicaid benefit programs wherein the state Medicaid program assumes responsibility for all the risk, purchasing only administrative services from the /contractor. Such administrative services include such activities as the preparation of an administration manual, communication with eligible individuals, determination and payment of benefits/claims, preparation of government reports, preparation of summary plan descriptions, and accounting. A state Medicaid program could opt to also purchase stop-loss insurance to protect against catastrophic or aggregate losses/higher than budget expenses.

Risk Capitation Contract

This term is used to mean a health benefits program in which the employer (state) assumes no responsibility/risk for the volume or cost of services instead paying the carrier/contractor on a per person per month basis based on actuarial assumptions related to the cost of the covered health services plus an amount for the program's administrative costs. Thus the carrier/contractor assumes all the risk that the participation rate will differ from anticipated and that the mix of services will be higher acuity than expected. Risk capitation contracts are usually based on a per person per month payment for the entire population. This type of contract payment method works well when participation and benefit utilization rates are well known and predictable with high confidence levels. Delta Dental of Colorado is proposing a variation in recommending that the state pay only for the population subset that actually enrolls and utilizes adult dental benefit services. This variation protects the state from paying a capitation for members of the eligible population that never use the adult dental benefit. The capitation risk contract would include such activities as the establishment of a contracted provider network, the preparation of a provider manual, communication with eligible Medicaid individuals and enrolled members, determination and payment of benefits/provider claims, preparation of government reports, preparation of summary

plan descriptions, and accounting. The variation proposed has the state take risk on the participation rate (rate of enrollment) to receive the adult dental benefit which can be limited with an enrollment cap at the state's discretion. The Contractor has the risk for the mix of services and unit price utilized by those participating in the adult dental benefit.

Delta Dental of Colorado Proposal with Risk Corridors and Deemed Enrollment

The term, "Risk Corridor" is used to refer to financial buffers or protections that are set up to cushion the state and/or the Contractor from utilization and expense that exceeds the budgeted estimate. In addition to the risk corridor, Delta Dental of Colorado is proposing that the state set up an enrollment cap to limit enrollment to the budget estimate of 27% of the 301,000 projected adult Medicaid eligibles. This suggestion is based on our understanding that the only funds the state has available are those that are approved for FY 2014. The 27% participation rate equates to a budget estimate of 81,000 individuals who are projected to enroll in the adult dental benefit. The state projects each individual will use an average of \$600 in dental benefits per year.

Delta Dental proposes that the state pay the Contractor only for those eligible individuals who enroll to receive the adult dental benefit. This eliminates the risk to the state of paying a capitation to the Contractor for eligible individuals who never use the benefit. In one scenario, there could be participation that is less than the 27% budgeted. If the state pays the Contractor only for those individuals who enroll to receive the adult dental benefit, then the state is protected from paying out a capitation to the Contractor for individuals who are not using the benefit. Delta proposes that the state reserve any funds not spent during the initial gradual enrollment build up phase of the program, This is the "risk corridor" for lower than expected utilization. The enrollment cap protects the state from higher than expected utilization.

Delta Dental proposes that the Contractor be at full risk for the mix of services used by the individuals who enroll to receive adult dental benefits. Thus, if the average cost of dental services exceeds \$600 per enrollee per year, the Contractor will fund the difference. This incents the Contractor to encourage preventive services and contract with a high quality provider network.

Additionally Delta Dental proposes that the state set up a process of presumptive eligibility for individuals seeking dental services who have not yet formally enrolled in the adult dental benefit. This would allow dental offices to confirm the individual's Medicaid eligibility using the existing Medicaid electronic verification system, then bill the Contractor for the service indicating the individual wants to be deemed enrolled into

the adult dental benefit. The state will have to establish a process whereby the Contractor can notify the state of the presumptive eligibles and receive updated enrollment and payment for those individuals for that month as applicable.